



Expo Food Concessionaire

February 23, 2022

A Report to the
Jackson County
Board of Commissioners

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To: Board of Commissioners
Re: Audit of Expo Food Concessionaire Agreement
Date: February 23, 2022

The enclosed report presents the results of an audit over the Expo's Food Concession arrangement for events other than the County Fair.

Please feel free to contact me at your convenience if you have any questions or would like additional information not contained in the report.

C: Audit Committee
Moss Adams, LLP

IN A NUTSHELL

Audit Objectives

The objectives of the audit were to evaluate whether:

1. The Expo's gross revenue percentage for its food vendor is similar to that of other expo and event centers operating in Oregon.
2. The contractual arrangement between the Expo and its food vendor is consistent with best practices or that of similar expo and event centers operating in Oregon.
3. The food concessionaire's financial performance has been reasonable.

What We Found

1. The Expo receives a percentage of the food concessionaire's gross revenue that is within the range of what other Oregon expo centers receive.
2. There are various models by which similar expo and event centers procure the services of food vendors for events other than county fairs.
3. Neither an appropriate benchmark nor the data (event attendance records) needed to evaluate performance were available.

What We Recommend

The Expo should evaluate various food vendor procurement models and determine which one best meets the need of the Expo and its clientele.

Introduction and Background

Audit Authority

We conducted our audit in accordance with Codified Ordinance 218 pertaining to the County Auditor. This audit was included in our fiscal year 20-21 Internal Audit Plan.

Compliance with Government Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Additionally, the standards address the importance that auditors be independent of management. The Internal Audit program operates in compliance with the generally accepted government auditing independence standard for internal audit shops.

Confidential or Sensitive Information

We did not withhold information that would be considered sensitive or confidential.

Audit Conclusion

The Expo receives a percentage of gross revenue from food sales that is within the range of the percentages collected by other Oregon expo and event centers. However, the Expo should evaluate whether it would benefit by using an alternative method for procuring food services.

Audit Objectives, Scope & Methodology

Our audit objectives focused on determining:

1. If the Expo's percent of gross is consistent with the percent that other county expo centers receive.
2. If the contract terms, conditions, and timeframes are consistent with industry best practices or that of similar expo and event centers operating in Oregon.
3. If the food concessionaire's financial performance has been reasonable.

Our audit procedures included:

1. Meeting with Expo staff to discuss the current concession practices.
2. Contacting other Oregon expo centers to inquire about their food concessions practices and revenue sharing agreements.
3. Searching for concessionaire best practices for similar event centers.
4. Reviewing concession revenue received by the Expo for the past four years.

Chapter 1 – Background Information

There are three distinct categories of events for which the Expo contracts with a food vendor(s) for catering and/or concession services¹. They are:

1. Expo-Produced Events – The Expo produces annual events such as the Wild Rogue Pro Rodeo, Brewfest, and Holiday Market. The Expo contracts with one food vendor to provide food concessions. The vendor remits 20% of gross receipts to the Expo.
2. Facility Rental Events – The Expo rents its facility for trade shows, dog shows, or similar events that are open to the public. At the renter's request, the Expo will contract with one food vendor to be on site during the event. The food vendor remits 20% of gross receipts to the Expo.
3. The County Fair – The Expo contracts with multiple vendors for food concessions and the food vendors remit 26% of gross receipts to the Expo. This arrangement is unique to the Fair and is not included within the scope of this audit.

The Expo does not have a formal contract with its food concessionaire nor has it used the RFP process to solicit a concessionaire. The current

¹ For definitional purposes, catering generally refers to situations in which the host provides food free of charge to event attendees (e.g., a corporate event) and concessions refers to situations in which food is made available for purchase to attendees for a fee (e.g. a consumer show).

Expo Director explained that when she accepted the position of Expo Director, the Expo had an undocumented agreement with a concessionaire. This concessionaire had a longstanding relationship with the Expo as a County Fair food vendor. Due to the unexpected passing of one of the concession owners in 2016, the concession business ceased operations and the Expo was left without a concessionaire for upcoming events. The Expo temporarily began utilizing the services of another Fair food vendor who also had a longstanding relationship with the Expo. Another food vendor with a Fair-related relationship with Expo has been providing services since June 2017.

The Expo and food vendor enter into a separate agreement for each event. The agreement specifies that the food vendor will pay the Expo 20% of gross sales, due within 2 business days after the event. A Certificate of Insurance and Health permits are required as well as a detailed report of all sales.

Chapter 2 – Revenue Sharing

Revenue sharing arrangements are typical for expo and event centers that don't have internal catering and concession operations. Standard practice is that the food vendor pays the expo or event center a percentage of gross sales.

We found that the 20% of gross revenue that the Jackson County Expo Center collects from its food vendor is within the range collected by the other expo centers in Oregon from which we could obtain comparison data. Most of these organizations had various caveats to their pricing schedule and, also, the varying population sizes makes it hard to do an 'apples to apples' comparison. Here is what we did learn from our review of website and email/phone inquiries of county expo and event centers that are used for other events besides county fairs:

- Clackamas takes between 10% and 20%, depending on the event. For example, for a new event with no attendance or sales history, they only take 10%.
- Klamath doesn't take a percentage but charges for use of the kitchen.
- Lane County Event Center charges 15% if an outside caterer is used instead of the in-house caterer/concessionaire.

- Polk County does not take a percentage if it is a private event such as a wedding. For public events, the percentage will be 10% or 15%, depending on whether the kitchen is used. For County events, Polk has an arrangement with a local non-profit whose volunteers do catering/concession work as a fundraiser for the non-profit.
- Washington County takes between 8% to 15% for catered events and 25% for concessions.
- Linn and Yamhill each have one approved vendor and received 10-15% of the gross revenue.
- Douglas does their own in-house catering and concessions for bigger events, but also has a list of approved vendors that event organizers can choose from. The agreement specifies revenue sharing of 20% if an outside vendor is used.

Chapter 3 – Contractual Arrangement

We did not identify a set of best practices applicable to small to medium size expo centers for the management of food vendor arrangements. Instead, we found multiple models in use. The models include approved vendor lists, the sole-sourcing of a vendor through the RFP process, and in-house catering/concessions.

Because the Expo receives a percentage of gross sales, it is in the Jackson County Expo's interest to select a model that will generate a high level of concession sales and contribute to customer satisfaction levels.

We recommend that the Expo considers the pros and cons of each method, in addition to its current method, and determine which model best fits the needs of the Expo and its clientele.

The sections below discuss the pros/cons of each model. We have included in the discussion information we obtained from our survey of other Oregon expo and event centers. This information may help the Expo as it considers each option. The number and type of events held, the population size of the area served by the expo/event center, the number of suitable vendors, and risks and benefits of a sole source arrangement are all factors that may have factored into each expo and event center's selection of a model. Therefore, the Expo should consider its unique circumstances when evaluating which model would best serve the Expo.

Use of a formal RFP process

The formal RFP process benefits the purchasing organization by introducing competition into the selection process. For potential vendors, the RFP process ensures a fair chance at selection. However, the process is lengthy and time consuming and, if there are not a sufficient number of bidders, can increase the cost of the procured good or service.

In 2019 Washington County used the RFP process to procure the services of a food and alcohol concessionaire to be a sole source provider for events being held at the newly built Washington County Event Center (WCEC). Given that Washington County has a population of about 600,000 and is part of the Portland Metro area, a formal RFP process appears to be an appropriate selection method. There may or may not be a sufficient number of potential bidders in Jackson County to warrant using this process to select a food vendor.

In conjunction with its RFP, WCEC developed evaluation criteria that appears to have enabled WCEC to maximize its financial return while also controlling for the quality of food. Proposers were scored on 5 criteria. The criteria were weighted and totaled 100 points. The criteria were:

- Total Financial Benefit to WCEC (30 points) – Proposers provided the percentage of gross sales that they will submit to WCEC, if selected. The minimum allowable bid was 25%.
- Qualifications, Experience, and Flexibility (25 points) – Proposers were required to submit a narrative that described how the bidder’s organization is qualified (including resumes of key staff) and discussed their ability to serve different sized events.
- Financial Stability (20 points) – Proposers were required to submit a written statement from their accountant or bank that indicated their financial stability.
- Proposed Menus & Pricing – Proposers were required to submit price and portion sizes. The RFP documentation also indicated a preference for fresh food over frozen food and frozen food over canned food. Similar requirements such as that raw food be no less the US Grade A, Number #1 or equivalent, that ground beef not exceed a 20% fat content, and that canned products be USDA Choice or Fancy were also listed.
- Benefit to Washington County Citizens (10 points) – This consisted of the number of local employments.

The WCEC RFP documentation indicated that top scoring proposers may be selected for interviews and that if oral interviews were determined to be necessary that the written proposal scores would only be considered

preliminary. Final scores would be determined based upon 35 points being added to the interview process and the review and re-evaluation of the written proposals.

Approved Vendor Lists

The use of approved vendor lists in conjunction with facility rentals provides the facility a level of control over who uses its kitchen while also providing the renter a level of choice. Theoretically, that level of choice may influence a potential renter's decision whether to rent the facility.

Some of the expo/event centers we surveyed had approved catering/concessionaire vendor lists that could be used by organizations renting the facility. Clackamas County currently has two approved vendors and is in the process of expanding to three. Columbia County's website listed 4 providers on its facility rental page and the Lane Events Center webpage listed 5 caterers.

In-house catering/concessions

While this model allows a facility the potential to maximize revenue, it also introduces both costs and risks and can divert management attention away from other matters.

Deschutes County provides in-house catering and concessions.

Food Trucks

A discussion of food service options would not be complete without mention of food trucks. Historically, because of limited kitchen space, the Expo was limited to using just one vendor at events. However, using multiple food trucks would enable the Expo to expand the food choices for event attendees, which has the potential of increasing food sales revenue.

Chapter 4 – Financial Performance

We could not identify any benchmark data that could be used to evaluate the current food vendor's performance. We had hoped to find 'sales per attendee' data that could be used evaluate sales performance.

As mentioned previously, the current food concessionaire pays the Expo 20% of gross revenue. They paid \$60,771, excluding fair concessions, to the Expo from July 2017 to June 2021. The total revenue by year has been decreasing the last two years, but this is attributed to the fact that there have been fewer events held at the Expo due to Covid-19. Additionally, when public events have been held during the pandemic, the attendance may have been lower than in the years prior to the pandemic.

Food Concessions Revenue by Fiscal Year – Excluding Fair

Fiscal Year	Food Concessions Revenue
FY 17-18	\$22,089
FY 18-19	\$31,728
FY 19-20	\$6,389
FY 20-21	\$565
Total	\$60,771

Source: E1 Financial System

The table below shows Expo food concessions revenue for the last four fiscal years by major event. This table is included just to give some context to discussion regarding food sales revenue by event type. Smaller events, or events that are not held on a recurring basis, are lumped under Facility Rental.

**Food Concessions Revenue
July 2017 to June 2021 by Event – Excluding Fair**

Event	Amount
Best of the West	\$1,393
Boomfest	\$933
Christmas Showcase	\$495
Concerts	\$4,742
Facility Rental	\$40,238
Holiday Market	\$3,615
Homebuilder Show	\$1,320
Rodeo	\$6,635
SO Kennel	\$260
Sportsman Show	\$1,140
Total	\$60,771

Source: E1 Financial System

Summary of Recommendations

The current food vendor procurement process appears to have evolved organically, or the initial reason for which the existing process was selected is either unknown or potentially outdated. Therefore, we recommend that Expo explore the various options and make a deliberate decision as to which method should be used going forward.

Management Response



2/23/2022

To: Eric Spivak; Internal Audit Program

From: Helen Baker; Director, Jackson County Fairgrounds and Exposition Park

Subject: Management Response, Expo Concessionaire Review

Date: February 23, 2022

I would like to thank Eric Spivak, Tanya Baize and Nicole Rollins of the Internal Audit program for not only the review that was completed on the Expo Food Concessionaire review, but the manner in which the work was done. The thorough review of our current situation and the research from our fair industry is both insightful and thought provoking. The recommendations made within this report are reasonable and helpful. It is imperative that the Jackson County Fairgrounds and Expo Park have complete, concise and competitive contracts that are easily understood and transparent for all Southern Oregon residents we serve. It was a pleasure working with you both and we look forward to putting these recommendations into action in the reasonable future.

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